

MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G06-55
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
MASON COUNTY TITLE INSURANCE)	AND ORDER ADOPTING REPORT
COMPANY)	OF
)	FINANCIAL EXAMINATION

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **MASON COUNTY TITLE INSURANCE COMPANY** (the Company) as of December 31, 2004, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings and instructions was transmitted to the Company for its comments on June 29, 2006. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 9 of the report.

MASON COUNTY TITLE INSURANCE COMPANY

Order Adopting Examination Report

September 22, 2006

Mailing Address: P.O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **MASON COUNTY TITLE INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

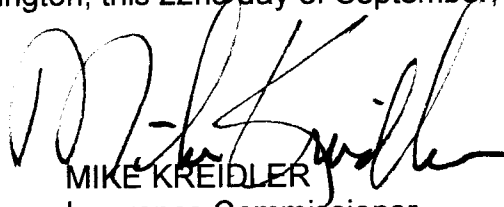
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-2.

1. The Company is ordered to obtain an annual audit of its financial statements or to obtain a specific OIC exemption from this requirement in accordance with WAC 284-07-100(2), until such time as it can prove it has less than 1,000 policies. Instruction 1, Examination Report, page 1.
2. The Company is ordered to comply with RCW 48.05.250 which requires the filing of its financial statements in the general form and context approved by the NAIC, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 2, Examination Report, page 2.
3. The Company is ordered to consider researching the placement of available funds in safe instruments which pay higher rates of return while providing adequate liquidity for paying claims and other liabilities. Comments and Recommendations 1, Examination Report, page 2.
4. For the protection of the policyholders, it is ordered that the Company consider studying the need for fidelity, property, and liability insurance. Comments and Recommendations 2, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 22nd day of September, 2006.

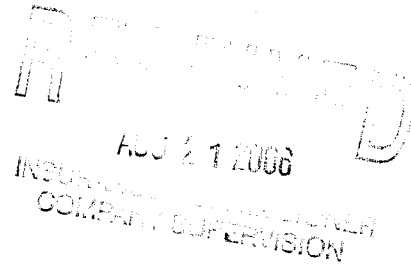


MIKE KREIDLER
Insurance Commissioner

Mason County Title Insurance Company
PO Box 4157
Olympia WA 98501

18 August 2006

James T Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
PO Box 40255
Olympia WA 98504-0255



Re: Response to Examination Report of Mason County Title Insurance Company as of December 31, 2004

Dear Mr. Odiorne:

We respectfully submit the following responses to the above referenced draft examination report.

AS REGARDS INSTRUCTIONS:

1. Audited Financial Statements

To comply with WAC 284-07-100(2), title insurers need to know how many policyholders they have. The Company is not aware of a single title insurer who in fact knows its exact number of policyholders, given the nature of title policies and industry operations. However, the Company estimates that as of December 31, 2004 its number of policies in force was less than 1,000 because the dollar value of its policies in force as of that date was \$30,768,939 (per the Company's special reserve computation). When divided by 1,000 policyholders, an average value per policy of \$30,769 is indicated, which the Company gauges to be less than the average policy value at the time.

The Company has not contracted for audits of its financial statements for many years, and not at all during its dormancy (operations ceased effective January 1, 1999). To comply with the instructions of the Office of the Insurance Commissioner (OIC) and with WAC 284-07-100(2), the Company will in the future respectfully request to be exempted from this requirement. Should the exemption be denied by the OIC, the Company will contract with a private CPA for an audit.

2. NAIC Annual Statement Preparation

Henceforth, the Company will include the trustees on the NAIC Annual Statement Jurat page. Because the Officers, Board Members and Trustees are all the same persons, the Company's oversight was to consider this redundant information.

AS REGARDS COMMENTS AND RECOMMENDATIONS:

1. Investment Income

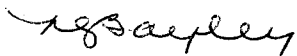
The Company can find no evidence wherein the Board of Trustees (BOT) was told the average interest to be earned on deposits in financial institutions would be 3%. The Company has consistently invested available funds in safe instruments which pay rates of return that are consistent with market rates, while providing adequate liquidity for paying claims and other liabilities.

2. Fidelity Bond and Other Insurance

The Company has not carried fidelity insurance since it ceased operations and terminated all personnel except one Owner/General Manager. The Company's outstanding policies over \$60,000 (issued prior to 1994) and over \$80,000 (issued after 1994) are reinsured with national title insurers. The Company considers itself adequately indemnified at this time.

The Company generally agrees with the instructions and recommendations of the above referenced examination report. It is the Company's sincere intent to comply with all regulations. The responses above are respectfully submitted for consideration as additional information relative to these instructions and recommendations.

Sincerely,



Nancy R Bayley
Treasurer